



Benefit Alphabet Soup

Working for America

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



Message from the President

“Health savings accounts address a growing need in our health care system. These accounts will help working Americans afford health insurance that is growing out of their reach. They will help restrain the health care costs that are affecting us all.”

- George W. Bush



Message from the Director



“OPM will try to identify ways to help those in the Federal Team save some hard earned money by looking for ways to provide access to HSAs in an effort to further the number of options available to them under the FEHB program.”

- Kay Coles James

Benefit Alphabet Soup



The Benefit Alphabet

HCFSA

FSA CDHP

EPO

HSA

PCA

HDHP

OPM

FEHBP

IRS

DCFSA

HRA





Flexible Spending Accounts



Flexible Spending Accounts

- A tax-qualified program based on guidelines from the Internal Revenue Code
- The Federal Government's FSA Program for Federal employees is called FSAFEDS
 - A Health Care FSA (HCFSA) pays for uncovered or unreimbursed portions of qualified medical costs
 - A Dependent Care FSA (DCFSA) pays eligible expenses for dependent care
- Disbursements are tax-free
- Any unexpended amounts are forfeited at the end of the year



Flexible Spending Accounts

- Open Season is November 8 – December 13 for 2005 plan year
- Enroll online at www.FSAFEDS.com
- Elect annual contributions for HCFSA and/or DCFS
 - Online interactive calculator helps figure tax savings and election amount
 - HCFSA maximum election increased to \$4,000 for 2004/2005
 - DCFS maximum is \$5,000 per IRS





Health Reimbursement Arrangements and Consumer Driven Health Plans



Health Reimbursement Arrangements

- Health Reimbursement Arrangements (HRAs) are a “credit arrangement” that is a part of some employer-sponsored health plans
 - Paid for solely by the employer
 - Reimburses the enrollee for medical care expenses
 - Provides reimbursements up to a maximum dollar amount for a coverage period
 - Unused amounts may be rolled over to future coverage periods
 - Is not portable after enrollee leaves the health plan
- HRAs pay for out-of-pocket medical expenses as part of a Consumer Driven Health Plan
- HRA account must be exhausted before FSA can be used



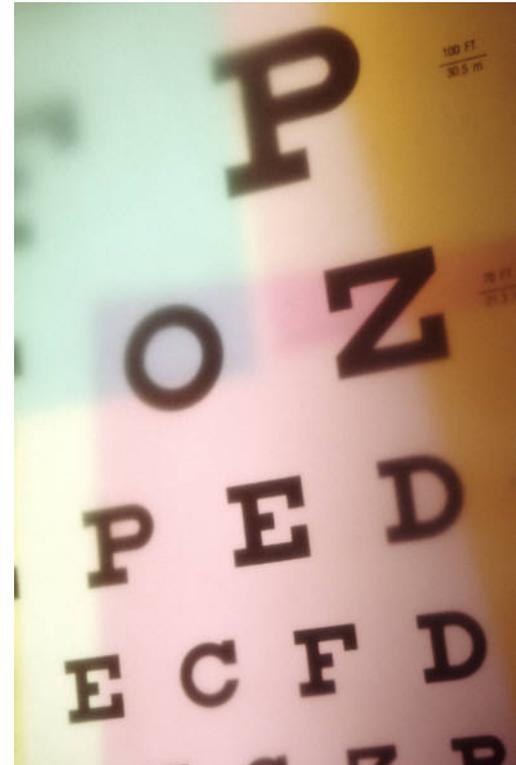
Consumer Driven Health Plans

- There are currently 3 Consumer Driven Health Plans (CDHPs) in the FEHB Program
 - APWU Consumer Driven Option
 - Open to everyone in the FEHB Program
 - Aetna HealthFund
 - Serving 11 States and the District of Columbia
 - Humana CoverageFirst
 - Serving parts of 10 States
- CDHPs provide an array of preventive care benefits and information tools to help enrollees better manage their own health care





Health Savings Accounts and High Deductible Health Plans



Health Savings Accounts

- HSAs are real money put in a special account owned by an individual to pay for current and future medical expenses
- They must be used in conjunction with “High Deductible Health Plans” (HDHPs)
- HSAs were created in Medicare legislation signed into law by President Bush on December 8, 2003
- They are a form of a tax-exempt trust
- HSAs are owned by the individual and goes with the employee on job change
- HSA money can be invested tax-free



Who is Eligible for HSAs?

- Any individual that:
 - Is covered by a HDHP
 - Is not covered by other health insurance
 - Does not apply to specific injury insurance and accident, disability, dental care, vision care, or long-term care
 - Is not eligible for Medicare
 - Can't be claimed as a dependent on someone else's tax return
- Cannot have an FSA at the same time



What is a “High Deductible Health Plan”?

- Health insurance plan with minimum deductible of:
 - \$1,000 (self-only coverage)
 - \$2,000 (family coverage)
- Annual out-of-pocket expense limits (including deductibles and co-pays)
 - \$5,000 (self-only coverage)
 - \$10,000 (family coverage)
- All amounts are indexed for inflation
- HDHPs can have:
 - First dollar coverage (no deductible for preventive care)
 - Higher out-of-pocket expense (copays & coinsurance) for non-network services



HSA Contribution Rules

- Contribution to HSA can be made by the employer, the individual, or both
- Maximum amount that can be contributed to an HSA is lesser of:
 - Amount of deductible, or
 - Maximum specified by law (indexed annually)
 - \$2,600 (self-only coverage)
 - \$5,150 (family coverage)
- Can have more than one account but all amounts are aggregated
- Catch-up amounts for individuals age 55 and older



HSA Distributions

- Distribution is tax-free if taken for “qualified medical expenses”
 - Out-of-pocket expenses including deductibles, coinsurance and copays
 - Over-the-counter drugs
 - Long-term care premiums
 - Medicare premiums and out-of-pocket expenses
- Distributions are tax-free for account owner, spouse and dependents
- 10% additional tax if taken for non-medical expenses before becoming disabled or eligible for Medicare



HSAs in the FEHB

- Director James decided to allow health insurers to propose HDHP plans with HSAs for the FEHB Program for 2005
- They will encourage competition in the FEHB Program by expanding the array of health care options
- Director James reached out to stakeholders, including Federal unions and retiree representatives, and developed a plan model that enhances the virtues of HSAs and mitigates possible adverse effects



Search the Web

- For information on FSAs, go to
 - www.FSAFEDS.com
- For information on Consumer Driven Health Plans, go to
 - www.OPM.gov/insure/health
- For information on HSAs, go to
 - www.ustreas.gov/offices/public-affairs/hsa



Search the Web

For more information,
visit us on the web at

www.OPM.gov

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